

STERLING CONSTRUCTION CO INC
Form 10-Q
November 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission file number 1-31993

STERLING CONSTRUCTION COMPANY, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 25-1655321
State or other jurisdiction of incorporation (I.R.S. Employer
or organization Identification No.)

1800 Hughes Landing Blvd.
The Woodlands, Texas 77380
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code (281)
214-0800

(Former name, former address and former fiscal year, if
changed from last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The number of shares outstanding of the registrant's common stock as of October 31, 2018 -- 27,068,353

STERLING CONSTRUCTION COMPANY, INC.
QUARTERLY REPORT ON FORM 10-Q
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SIGNATURES

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 89,336	\$ 83,953
Receivables, including retainage	160,247	133,931
Costs and estimated earnings in excess of billings on uncompleted contracts	40,275	37,112
Inventories	3,140	4,621
Receivables from and equity in construction joint ventures	11,521	11,380
Other current assets	8,857	7,529
Total current assets	313,376	278,526
Property and equipment, net	52,196	54,406
Goodwill	85,231	85,231
Intangibles, net	43,018	44,818
Other assets, net	343	317
Total assets	\$ 494,164	\$ 463,298
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 106,271	\$ 97,457
Billings in excess of costs and estimated earnings on uncompleted contracts	63,964	62,374
Current maturities of long-term debt	3,014	3,978
Income taxes payable	279	81
Accrued compensation	14,866	9,054
Other current liabilities	6,275	9,348
Total current liabilities	194,669	182,292
Long-term liabilities:		
Long-term debt, net of current maturities	78,424	86,160
Members' interest subject to mandatory redemption and undistributed earnings	48,844	47,386
Deferred taxes	1,299	—
Other long-term liabilities	1,230	1,271
Total long-term liabilities	129,797	134,817
Commitments and contingencies (Note 10)		
Equity:		
Sterling stockholders' equity:		
Preferred stock, par value \$0.01 per share; 1,000,000 shares authorized, none issued	—	—
Common stock, par value \$0.01 per share; 38,000,000 shares authorized, 27,068,353 and 27,051,468 shares issued	271	271
Additional paid in capital	233,056	231,183
Retained deficit	(70,544) (90,121
Total Sterling common stockholders' equity	162,783	141,333
Noncontrolling interests	6,915	4,856
Total equity	169,698	146,189

Total liabilities and equity	\$ 494,164	\$ 463,298
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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STERLING CONSTRUCTION COMPANY, INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenues	\$291,266	\$304,219	\$782,492	\$704,047
Cost of revenues	(259,735)	(273,588)	(698,975)	(638,924)
Gross profit	31,531	30,631	83,517	65,123
General and administrative expenses	(11,707)	(13,129)	(38,356)	(36,545)
Other operating expense, net	(5,452)	(4,863)	(11,960)	(9,371)
Operating income	14,372	12,639	33,201	19,207
Interest income	274	107	604	192
Interest expense	(3,067)	(3,576)	(9,265)	(6,672)
Loss on extinguishment of debt	—	—	—	(755)
Income before income taxes and noncontrolling interests in earnings	11,579	9,170	24,540	11,972
Income tax expense	(1,413)	(344)	(1,551)	(469)
Net income	10,166	8,826	22,989	11,503